
IN THE
UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT.

CASE No. 14626.

JESSE E. HALL *et al.*, Plaintiff and Plaintiff-
Intervenors-Appellants,

vs.

KENNETH A. WRIGHT *et al.*,
Defendants-Appellees.

APPENDIX TO APPELLANTS' BRIEF.
QUOTATIONS FROM DECISIONS CITED IN BRIEF.

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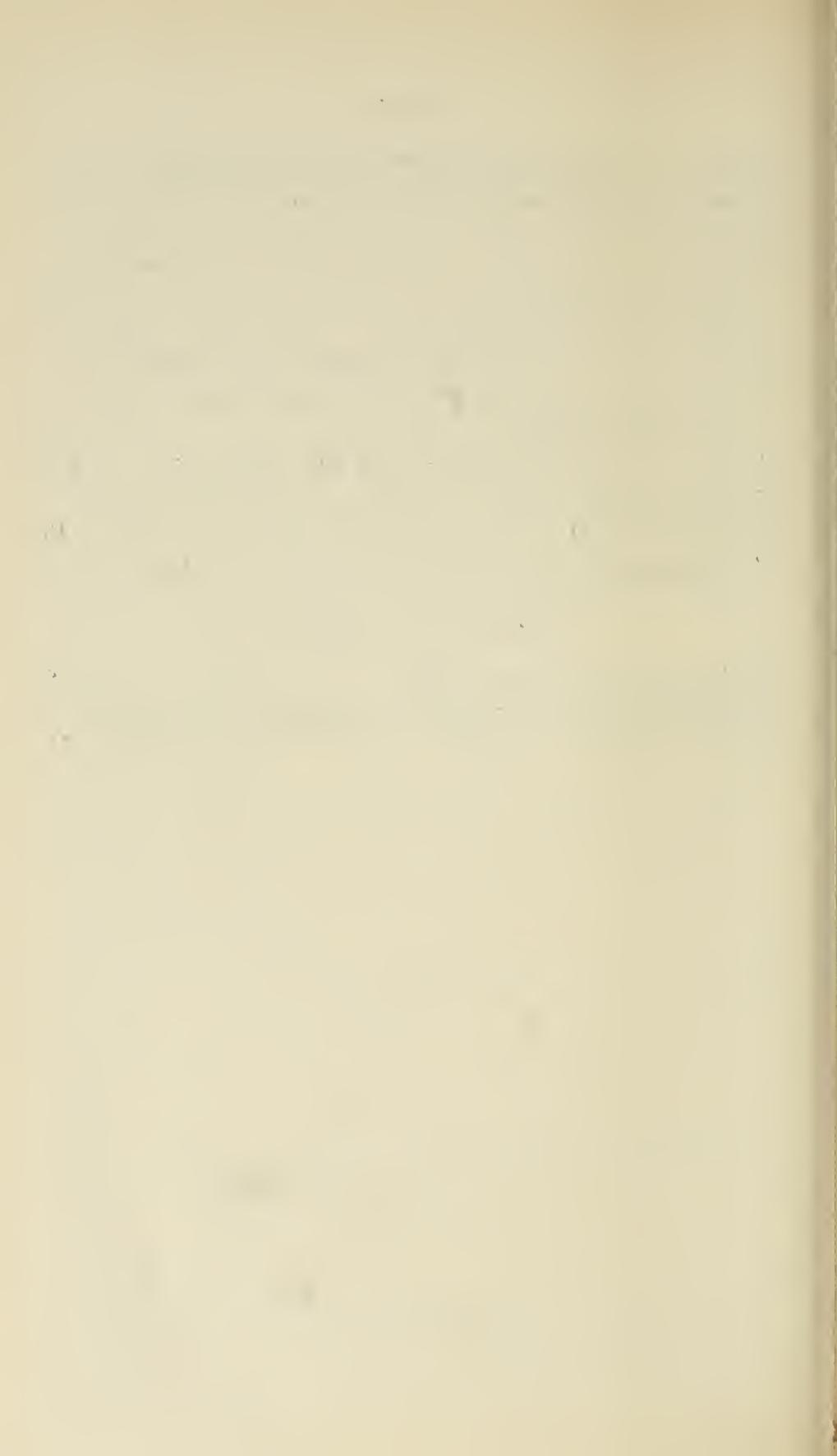
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APPENDIX TO BRIEF.

DEFENDANTS ARE GUILTY OF UNFAIR COMPETITION AND UNCLEAN HANDS (Brief p. 13).

Circle S Products Co. v. Powell Products, 174 F. 2d 562 (C.C.A. 7).

Metro-Goldwyn-Mayer v. Fear, 104 F. 2d 892 (C.C.A. 9).

In the latter case this court said:

*** * * The sending of the letters to appellant's customers is admitted in the answer. It is clear that the sending of these letters by appellee was improper and that appellee was not entitled to take such action in order to protect its rights under its patent No. 1,891,225. The patent was introduced in evidence and covers a machine designed to be used for the processing of exposed film. It does not cover nor claim the developed film as invention. The sale or use of the products of the machine (the film) by the customers of appellant would not constitute an infringement of the machine patent. * * * This was conceded in the court below. Consequently, appellee had no legal justification for sending such notices or threats to appellant's customers even though it be assumed that he was correct in his contention that appellant was going beyond the scope of this license and infringing the patent by its use of the machines. *American Ball Co. v. Federal Cartridge Corp.*, 8 Cir., 70 F. 2d 579. It is clear, then, that the conduct of appellee was without legal right. It is also clear that there was a reasonable probability that damage would result from such conduct. Under such circumstances, the appellant was entitled to an injunction. *American Ball Co. v. Federal Cartridge Co.*, *supra*. The fact that appellee discontinued sending the letters and consented to a temporary injunction at the trial was not sufficient ground for refusing the injunction. See

Clark Thread Co. v. William Clark Co., 55 N. J. Eq. 658, 37 A. 599; *Id.*, 56 N. J. Eq. 789, 40 A. 686; *Pacific Mut. Tel. Co. v. Chicago, etc., Bridge Co.*, 36 Kan. 118, 12 P. 560. Compare *William H. Keller, Inc., v. Chicago Pneumatic Tool Co.*, 7 Cir., 298 F. 52."

A-7. Plaintiff and Plaintiff-Intervenors Had a Legal Right to Bring and Prosecute These Lawsuits (Brief page 54).

"The trial court's finding was to the effect that both the cross-complainant and cross defendant are engaged in substantially the same practices, and it has been held that these activities are legal. The question of unclean hands is not in this case in any substantial sense." *Complete Service Bureau v. San Diego Medical Society*, 43 Cal. 2d 201, at 217, 272 P. 2d 497.

In *Kryptok Co. v. Stead*, 190 F. 767, 769-770, 39 L.R.A. N.S. 1 (C.C.A. 8), the Court said:

"The Stead Company by its petition based its application for this injunction upon two grounds, upon the proposition of law that in this suit against it Kryptok Company could procure all the relief it was entitled to obtain for the infringement of its patents by the Stead Company and by Haussman & Co. and the other customers of Stead Company who bought the infringing article of it at wholesale and sold it at retail, and upon the averment of the fact that the Kryptok Company had brought the suit against Hausman & Co. and threatened to bring like suits against three other customers of the Stead Company, and had notified and were notifying its customers that they were infringing its patents, and had threatened and were threatening its customers with like suits for infringement, not for the purpose of protecting and enforcing its rights under its patents, but for the sole purpose of vexing and annoying the Stead Company, which was morally bound to defend the suits against its customers, and of maliciously injuring its business. The proposition of law which the Stead Company relied upon was an error of law.

There was no denial that the patents were issued and from their issue the legal presumption arose that they were valid. While infringement was denied, the legal right to sue and to prosecute suits for infringement to a hearing must be admitted in the consideration of this injunction, because thus only could that issue ever be tried or determined. Kryptok Company therefore had the legal right to sue Haussman & Co. and every other purchaser and retailer from Stead Company of the infringing lenses, and if it proved their infringement it had the right to an injunction forbidding each of them from selling or using any of the lenses, and to a recovery of the gains and profits each of them had made by purchasing and selling them, and to the damages it had sustained by their infringement. It is always difficult to prove the gains and profits an infringer obtains, and the damages suffered by the owner of a patent from the sales of the infringing article are equally difficult to prove, so that the most valuable relief to which he is entitled in equity is the injunction against further infringement. Such an injunction against the retailers Kryptok Company could not secure in its suit against Stead Company. It might in that suit recover the gains and profits Stead Company had acquired by its manufacture and sale to its customers of the infringing lenses and the damage Stead Company had inflicted thereby, but it could not in that suit recover the gains and profits the purchasers from Stead Company had made nor the damages their infringements had inflicted. The owner of a patent cannot recover, in a suit against a manufacturer of an infringing article which he sells to retailers, the full relief to which he is entitled in suits against the retailers, and a decree for an injunction and damages against a manufacturer is no bar to suits against those who purchase from the manufacturer and use or sell to others. *Birdsell v. Shaliol*, 112 U.S. 485, 488, 5 Sup. Ct. 244, 28 L. Ed. 768. The proposition of law, therefore, on which the petition for this injunction is based must fall."

Leo Feist v. Young, 138 F. 2d 972, 974 (C.C.A. 7); *Connally v. Union Sewer Pipe Co.*, 184 U.S. 540, 545, 22 Sup. Ct. 431, 46 L. Ed. 679, in which the court quotes with approval from *Short v. National Harrow Co.*, 51 F. 819, as follows: *

“* * * The party having such a patent has a right to bring suit on it, not only against a manufacturer who infringes, but against dealers and users of the patented article, if he believes the patent is being infringed, and the motive which prompts him to sue is not open to judicial inquiry, because, having a legal right to sue, it is immaterial whether his motives are good or bad and he is not required to give reasons for the attempt to assert his legal rights. ‘The exercise of the legal right cannot be affected by the motive which controls it.’ *Kaff v. Youman*, 86 N. Y. 329.”

B. Plaintiff Hall Not Guilty of Unclean Hands in Sending the \$2.50 Royalty Letter (Brief page 56).

B-2. An Offer of a License Is Not a Threat of Suit for Infringement (Brief page 56).

In *Alamo Refining Co. v. Shell Development Co.*, 99 F. Supp. 790, at 795, the Court said:

“The allegations in the latest complaint boil down to nothing more than that the licensing agents offered a license to plaintiff and urged it to pay a specified royalty.

“No case has been cited and I have found none where it has been held the offer of a license by a patentee or his agent gives rise to a justifiable controversy, absent a charge of infringement or a threat of suit. Here, seven years have elapsed since the Recommendation 41 Agreement became effective whereby defendants pooled their patents at the Government’s suggestion, and there is no record of any suit brought by defendants against any one for in-

fringement of any of the pooled patents in this field. The only allegation which even squints at controversy is a sentence which avers one of the agents represented that two of the patents of Standard were among 'the more basic patents in fluid catalytic cracking.' The record plainly shows this to have been selling talk by the licensing agents. There is no statement as to infringement—no threat.

"I think a strong public policy should exist to permit the unrestricted offering of a patent license. The owner of a patent is fettered if the mere offer of a license, without an accompanying charge of infringement or threat of suit, would expose the patentee to a declaratory judgment action. The offer of a license does not have the character of a charge of threat."

In *Leo Feist v. Young*, 138 F. 2d 972, at 974 (C.C.A. 7), the Court said:

"Although he cited the well-settled rule that the motive which impels a litigant to seek the court's assistance is not important so long as the litigant has a legal and moral right upon which to use, *Connolly v. Union Sewer Pipe Co.*, 184 U.S. 540, 22 S.Ct. 431, 46 L. Ed. 679, the trial judge found something objectionable in the fact that the prime objective of plaintiff's action was to enable ASCAP to force the defendant in Wisconsin to sign a license agreement with ASCAP so as to maintain the respect for rights given by the copyright law. We see nothing objectionable in such motive, for it is the only way in which the copyright owner's rights could be protected. It has long been the policy of the federal courts to encourage adjustment of controversies arising under the copyright statute without obligation, and a license agreement is a fitting method of adjustment. Consequently, calling to the attention of an infringer the fact that he is unlawfully appropriating its property and that unless he desists or obtains proper authorization for its use suit will be instituted, is permissible."

B-3. The Offer of a License Contained in the Letter Cannot from the Evidence Be Found to Be in Bad Faith or Sent with an Improper Motive (Brief page 57).

In *Harlan v. Willard*, 52 Calif. App. 194, 198, 198 P. 424, the court said:

"Appellants cite a number of cases to the point of their contention, to wit, that where a party has been guilty of an attempt to consummate a fraud, he will not be heard in a court of equity in any matter concerning the same subject where he seeks relief favorable to himself. Without taking up these cases for the purpose of particular analysis, it may be conceded that they all hold in agreement with a sound doctrine of equitable practice. The distinction important to be drawn between these cases and this is that here, as the evidence showed and the court found, the plaintiff in filing the petition for letters of administration and her application for a family allowance, based upon the claim that she was the widow of Willard, did so without the intent to defraud the estate, or the heirs, of anything. The excuse perhaps showed no legal justification, but even though that be true, the lack of a fraudulent purpose to get something to which she was not legally entitled takes the case without the rule as insisted for by appellant."

B-7. The \$2.50 Royalty Letters Were Signed by and Were Sent with the Advice of Hall's Attorney and Therefore Cannot Be the Basis of a Charge of Unclean Hands (Brief page 58).

In *Russo v. Thompson*, 294 Mass. 4, 200 N. E. 570, 573:

"* * * He had a right to publish the 'warning' in good faith, under the advice of his attorney and for the protection of what he believed to be his patent rights. *Aronson v. Orlov*, 228 Mass. 1, 11, 116 N. E. 951; *Virtue v. Creamery Package Mfg. Co.*, 227 U.S. 8, 33 S. Ct. 202, 57 L. Ed. 393; *Helfi Co. v. Silver Co.*, (D.C.) 274 F. 653, Affd. (C.C.A.) 278 F. 613; *Alliance*

Securities Co. v. DeVilbis Mfg. Co., (C.C.A.) 41 F. 2d 668; *Flynn & Emrich Co. v. Federal Trade Commission*, (C.C.A.) 52 F. 2d 836 * * * p. 573.

B-8. No Justification for Outlawing \$2.50 Royalty As Not Within the Bounds of Economic Reason (Brief page 59).

California Code, Section 1875.

“Courts take judicial notice of the following facts:

“1. The true significance of all English words and phrases, and of all legal expressions;

“2. Whatever is established by law;

“3. Public and private official acts of the legislative, executive and judicial departments of this state and of the United States, and the laws of the several states of the United States and the interpretation thereof by the highest courts of appellate jurisdiction of such states;

“4. The seals of all the courts of this state and of the United States;

“5. The accession to office and the official signatures and seals of office of the principal officers of government in the legislative, executive and judicial departments of this state and of the United States;

“6. The existence, title, national flag, and seal of every state or sovereign recognized by the executive power of the United States;

“7. The seals of courts of admiralty and maritime jurisdiction, and of notaries public;

“8. The laws of nature, the measure of time, and the geographical divisions and political history of the world.”

In *Hagen v. Porter*, 156 F. 2d 362, at 365, it was said:

“Moreover, under Rule 43 (a), Federal Rules Civil Procedure, 28 U.S.C.A. following Section 723c,

the United States courts in California may follow Section 1875 of the California Code of Civil Procedure and take judicial notice of “* * * The official signatures * * * of the principal officers of government in the legislative, executive and judicial departments of this state and of the United States.’ Code of Civil Procedure, Deering, 1941, §1875.”

In *Illinois Co. v. Coffman*, (Ind. App.) 188 N. E. 217, the court said on page 219:

“* * * So far as we have been able to discover, the authorities are agreed that as a general rule, values must be proved by competent evidence * * *. This court cannot take judicial notice of the rental value of farm land in Rust County. It is a fact to be established by witnesses meeting the qualifications heretofore referred to * * *.”

In *Varcoe v. Lee*, 180 C. 338, pp. 345 and 346, 181 P. 223, the court stated:

“It is truly said that the power of judicial notice is as to matters claimed to be matters of general knowledge one to be used with caution. If there is any doubt whatever either as to the fact itself or as to its being a matter of common knowledge evidence should be required. But if the court is of the certain opinion that these requirements exist, there can properly be no hesitation. In such a case there is on the one hand no danger of a wrong conclusion as to the fact—and such danger is the reason for the caution in dispensing with the evidence—and on the other hand, purely formal and useless proceedings will be avoided.
* * *

“The tests, therefore, in any particular case where it is sought to avoid or excuse the production of evidence because the fact to be proven is one of general knowledge and notoriety are (1) is the fact one of common, everyday knowledge in that jurisdiction, which everyone of average intelligence and knowledge of things about him can be presumed to know; and (2) is it cer-

tain and indisputable. If it is, it is a proper case for dispensing with evidence, for its production cannot add or aid. On the other hand, we may well repeat, if there is any reasonable question whatever as to either point, proof should be required. Only so can the danger involved in dispensing with proof be avoided. Even if the matter be one of judicial cognizance, there is still no error or impropriety in requiring evidence."

A court may not take judicial notice of the value of a property right although it may take judicial notice of facts of common knowledge which are authoritatively settled which affect the value of a property right, 31 C. J. S. 701.

Ohio Bell Telephone Co. v. Quality Public Utilities, 301 U.S. 292, 81 L. Ed. 1093.

Also, where there is any doubt, it must be resolved against taking judicial notice of a purported fact. *Varcoe v. Lee, supra; Weitzkorn v. Lesser, supra; Communist Party v. Peek, supra; Coachella Farms, Inc., v. Martin*, 219 Calif. 1, 25 P. 2d 435; *Elford v. Hiltabrand*, 63 Calif. App. 2d 65, 156 P. 2d 510.

I. The Trial Court's Finding That the Hall Patent Lacked Invention Is Not Supported by the Evidence and This Court Is Bound by Such Finding (Brief p. 73).

Judge Yankwich in *Brooks Bros. v. Brooks Clothing*, 5 F. R. D. 14, at 16:

"An analysis of the Findings and Judgment by counsel will show readily what, if any, changes I have introduced in each paragraph. In some instances, I have eliminated verbiage which I thought was surplusage. Even as rewritten, the findings are longer than we have been accustomed to in the past. But, all finds, at the present time, are of necessity, such. For the Supreme Court in *Schneidermann v. United States*, 320 U.S. 118, 129, 63 S. Ct. 1333, 87 L. Ed. 1796, has ruled that findings of ultimate facts—as we were

taught by the older authorities—are no longer sufficient.

"And following the Schneidermann decision, the Ninth Circuit Court of Appeals sent back to me a similar case (*United States v. Bergmann*, 1942, 47 F. Supp. 765), in which I had made findings in the language of the allegations of the Complaint and negatived certain defenses in the language of the Answer—the orthodox way which, in California, we have followed for many, many years, both in state and federal practice.

"The order of the Circuit Court was that I make the findings conform to the ruling in the Schneidermann case. This I did, by in effect, epitomizing all the evidence in the case. That this is what the court expected is evidenced by the fact that no question of their sufficiency as to from was raised afterwards. And the appeal was decided on the basis of the facts which I set forth.

"I make this observation because were it not for the binding effect of these decisions, I would have 'trimmed' some of the proposed findings even more than I did."

In *Hycon Mfg. Co. v. H. Koch & Sons*, 219 F. 2d 353 (C.C.A. 9, 1955), the absence of specific findings of fact underlying the ultimate findings of fact in a patent case was criticized. The court said at page 356:

"Your court must find facts which support three essentials: novelty, utility and invention. Mere conclusions in order to hold a patent valid such as are contained in this record are of no avail. No opinion was before this court. There is indication neither why the trial judge thought the device was an invention nor why the patented article was differentiated from the prior art."

In *Waialua Agr. Co., Ltd., v. Maneja et al.*, 178 F. 2d 603, at 608 (C.C.A. 9), the court said:

"The only method of making binding findings upon this subject is to enumerate the exact duties of a particular employee for a specified period of time and apply the pertinent statutory provisions. The imperative need for detailed facts upon which to found positive declarations is found in the nature and purpose of the act and the exclusions. The humanitarian purpose of the statute to insure to the industrial workers a fair wage for a reasonable work week was here crystallized, as the learned District Judge pointed out."

J. This Court May Decide the Issue of Validity Without Remanding (Brief p. 74).

Equitable Life Assurance Society of the United States v. Frelan, 123 F. 2d 462, at 464 (C.C.A. 9, 1941):

"Since all testimony bearing on the circumstances antecedent to and surrounding her death was by deposition, the finding of accidental death, while it is justly entitled to consideration, has not the weight we would otherwise be obliged to concede to it. This court is in as good a position as the trial court was to appraise the evidence and we have the burden of doing that. Rule 52(a) of the Rules of Civil Procedure, 28 U.S.C.A. following section 723c, was intended to accord with the decisions on the scope of the review in federal equity practice; and, as is well known, in the federal courts where the testimony in equity¹ or admiralty² cases is

¹Paraffine Companies v. McEverlast, Inc., 9 Cir., 84 F. 2d 335, 339; Rown v. Brake Testing Equipment Corp., 9 Cir., 38 F. 2d 220, 223; United States v. Booth-Kelly Co., 9 Cir., 203 F. 423, 429; *Id.*, 237 U.S. 481, 35 S. Ct. 659, 59 L. Ed. 1058; Grove Laboratories v. Brewer & Co., 1 Cir., 103 F. 2d 175, 178; Stewart v. Ganey, 5 Cir., 116 F. 2d 1010, 1012, 1013; Kyocoga Land Co. v. Kentucky River Coal Corp., 6 Cir., 110 F. 2d 894, 896; Nashua Mfg. Co. v. Berenzweig, 7 Cir., 39 F. 2d 896, 897; United States v. Corporation of President, etc., 10 Cir., 101 F. 2d 156, 160; Carter Oil Co. v. McQuigg, 7 Cir., 112 F. 2d 275, 279; State Farm Mut. Auto Ins. Co. v. Bonacci, 8 Cir., 111 F. 2d 412, 413, 415. And see cases cited in O'Brien Manual of Federal Appellate Procedure (1941), p. 191 *et seq.*

²O'Brien, Manual of Appellate Procedure (1941), pp. 111-114, and cases cited.

by deposition the reviewing court gives slight weight to the findings."

The rule is not restricted to depositions and applies as well where the evidence is documentary. *McComb v. Utica Knitting Co.*, 164 F. 2d 670, at 674, and cases cited (C.C.A. 2d). See also *J. S. Tyne Chemist, Inc., v. Thymo Borine Laboratory*, 151 F. 2d 621, at 624.